Bentham Global Income

Quarterly Investment Option Update

30 September 2018

Aim and Strategy

The strategy aims to provide exposure to domestic and global credit markets and to generate income with some potential for capital growth over the medium to long term. The strategy aims to outperform its composite benchmark (50% Bloomberg AusBond Composite Bond Index/50% Bloomberg AwusBond Bank Bill Index) over the suggested minimum investment timeframe. Investments include, but are not limited to, Australian and global hybrid securities, global high yield bonds, global syndicated loans, investment grade securities, global
capital securities, asset backed securities, equities and derivatives.
Bentham aims to fully hedge any foreign currency exposure back to the Australian dollar.

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	-	65.4
Aust. Fixed Interest	50	4.2
Cash	50	30.4

Sector Allocation	%
Banking	11.2%
Electronics	5.2%
Insurance	4.9%
Chemicals, Plastics and Rubber	4.7%
Diversified/Conglomerate Service	4.4%
Buildings and Real Estate	3.9%
RMBS	3.5%
CLO	3.3%
Healthcare, Education and Childcare	3.3%
Broadcasting and Entertainment	3.2%

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment Category	Specialist Fixed Interest
Suggested investment timeframe	3 Years
Relative risk rating	4 / Medium
Investment style	Active

Regional Allocation	%
Cash & Derivatives	30.4%
North America	46.1%
Australia & NZ	4.2%
Europe	10.9%
UK	8.9%
Asia-x-Japan	0.0%
Africa & Middle East	-0.1%

Top Holdings	%
JPMorgan Chase & Co	1.7%
Zurich Finance (uk) Plc	1.2%
Cooperatieve Rabobank UA	1.2%
Allianz SE	1.1%
Lloyds Banking Group PLC	1.1%
Ripon Mortgages - 1x	1.0%
Deutsche Bahn Finance Gmbh	1.0%
Bank Of Ireland Group	1.0%
Abn Amro Bank Nv	0.9%
HSBC Bank PLC	0.9%

Portfolio Summary

- Global Credit Markets continue to be supported by strong economic fundamentals
- US and European markets strong while rising US rates putting pressure on Emerging Markets
- Bentham continue to be cautiously positioned despite the recent economic strength

Investment Option Commentary

Fundamentals for credit markets continue to be supported by strong developed market economic growth which is supporting corporate earnings growth and consumer finance. The global corporate default rate is likely to continue to remain low while these conditions persist. Geo-political events including trade wars, Brexit uncertainty and Emerging market risk as well as global central bank policy changes are the major risks to this outlook.

Supportive policies from global central banks have been a key factor in driving up most asset prices. The Fed's September hike comment removed the accommodative language, pointing to the Fed's fund rate moving above "neutral" over the next few years.

The key theme in 2018 is a "double barrel" year of US rates rising combined with the roll back in global QE. Bentham believe that credit sectors with high interest rate risk (such as US investment grade credit) or sectors that benefitted the most from low US rates (such as emerging market debt) remain vulnerable to a selloff in government bond markets. Floating rate credit sectors such as Asset Backed Securities and Syndicated Loans are likely to continue to experience investor support.

Market commentary

It was a strong quarter for developed market economies with credit and equity markets outperforming while government bonds underperformed. US economic data supported continued strength in "Animal Spirits", and ultimately outweighed concerns around the escalating US-China trade war. As yet, industrial activity indicators show little impact from the trade wars.

In a period of supportive economic growth and employment figures, the Federal Reserve (Fed) continued its gradual and anticipated increase in the Federal Funds Rate by 25 basis points in September. The committee dropped its long-standing description of monetary policy as "accommodative", but reaffirmed its outlook for further gradual hikes into 2019. Inflation figures remain contained despite extremely strong employment market data. September wages growth was the fastest rate since 2009.

In Europe, the fast approaching Brexit date of March 2019 is becoming an increased focus as actions by UK politicians are giving little confidence of a deal being agreed. This may lead to a 'hard Brexit' scenario and have ramifications for both the UK and European economies.

Economic data from the Eurozone pointed to steady growth but at a slower pace than last year. Eurozone GDP growth for the first quarter was 0.4%, down from 0.7% in Q4 2017. Despite an opaque Brexit path, The BoE raised rates to 0.75% in August (from 0.50%), citing weather as the cause of a weak first quarter. The steady monetary accommodation provided by the ECB and the BOJ, together with a flight to safety, helped to keep a lid on the rise in long-term US government yields, despite the looming Treasury debt issuance. US 10-year yields rose from 2.86% to 3.06% in the quarter, with Bund and UK gilt 10-year yields rising from 0.30% to 0.47% and 1.42% to 1.57% respectively.

Outlook

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Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1995AU
AMP Flexible Super - Retirement account	AMP2020AU
AMP Flexible Super - Super account	AMP2025AU
CustomSuper	AMP1995AU
Flexible Lifetime - Allocated Pension	AMP2000AU
Flexible Lifetime Investment (Series 2)	AMP2032AU
SignatureSuper	AMP2005AU
SignatureSuper Allocated Pension	AMP2012AU

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